Finance trends
Modernizing finance in private companies
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Finance trends: Modernizing finance in private companies

At Deloitte, we’re proud to work closely with thousands of Canadian private companies, helping them strengthen their operations, grow their businesses and achieve their goals and aspirations. We know that private companies rely on their finance teams to provide a strong financial foundation through the careful management of cash, optimization of tax, and the timely and accurate reporting of their financial position. However, as private companies grow and become more complex, their owners look to those finance teams to take on a much wider range of activities to create greater value for their companies.
Inevitably, every private company will face at least one significant, disruptive event. Some will be the result of rapid growth while others will arise internally, such as a key acquisition opportunity or other major transaction. Still others will result from external events that are beyond the company’s control, such as a major shift in the market. Successfully navigating through any of these events depends on finance teams that are able to help the company respond quickly to changing circumstances. Companies that wait until such an event arises before building these capabilities put value and cash at risk. Instead, as the business grows, finance must grow with it. How? By acquiring the tools, processes and talent needed to become a stronger partner that better understands the business’s key drivers and is a strategic partner to the business owner and its management team.

This report examines the role of CFOs/finance leaders and their finance teams in Canadian private companies. It contains a range of perspectives and insights, beginning with a snapshot of where CFOs and finance teams are today, according to a survey of Canadian CFOs/finance leaders conducted by Deloitte in the summer of 2016. It also reflects certain trends we’ve observed in many leading Canadian private companies, such as those who participate in our annual Best Managed Companies program.

In this report, you’ll see how leading Canadian private companies are repositioning their finance teams for future success. We also provide a framework that private companies can use to evaluate their finance team’s current capabilities, and the steps they can start taking now to strengthen finance’s capabilities, including automating manual processes to improve efficiency, using data visualization to provide more helpful insights into the business, and building strong finance teams to provide increased value to the company.

We hope you enjoy reading the report, and invite you to share your thoughts with us.

Mike Goodfellow
Partner
Audit Advisory Finance
The changing role of finance in maturing private companies

Having a plan to modernize the finance function is important under normal growth cycles. But when disruption occurs, a more mature finance team isn’t just important—it’s critical.

As private companies grow (see Figure 1), the capabilities of their finance teams must grow with them. Initially, when companies are start-ups and in the beginning stages of their growth (Stage 1), they need finance leaders to serve as strong controllers, able to record transactions, manage assets and working capital, minimize taxes, and prepare the required financial reports—all critical functions in a young, fast growing business where maintaining strong cash-flow is essential for continued growth.

As companies mature (Stages 2 and 3), however, they need finance leaders and teams with capabilities greater than controllership. They need teams that also have a strong understanding of the business’s growth drivers and that are able to provide timely and meaningful insights and information to the business owner on operating issues and key performance indicators, the better to analyze business risks and capitalize on opportunities.

Figure 1: Finance function in private companies
Many private company finance leaders anticipate the need for their teams to mature and acquire greater competencies as the business grows. However, the time required to reach maturity is usually longer than anticipated, especially now, when the pace of business growth has never been faster and the range of challenges has never been greater. Having a plan to modernize the finance function is important under normal growth cycles. But when disruption occurs, a more mature finance team isn’t just important—it’s critical.

Canadian private companies tend to grow rapidly in their first five years of operation, after which they often lose momentum. However, many private companies create a new growth cycle through a disruptive event, such as a major acquisition or divestiture, the introduction of private equity (or third parties, joint ventures, etc.) or going public through an initial public offering.

Disruptive events can cause significant transformations both in the finance team and the business. (A discussion of the impact many of these events have on finance teams is provided in Appendix A). Some private companies may believe these events are unlikely, but it’s never a question of whether an event will happen, only when it will. At some point, every private company will face disruption, even if only the current owner’s retirement. Companies often believe they’ll have enough advance notice of these events to be able to manage them; however, they usually arise suddenly and must be addressed quickly.

While disruptive events are often within a company’s control, they’re still a challenge to manage. Many companies, however—some 43 percent—underestimate that challenge and believe they are better prepared to manage the disruption than they actually are.¹

¹ Deloitte, Future of Canada 2015: Age of Disruption.
Much greater challenges arise due to major external events that, while they may be anticipated, are outside the company’s control, such as, introduction of innovative new technologies that usher in new and different competitors. However, despite the fact that advanced technologies are already disrupting the way businesses in all industries operate, almost nine in 10 (87 percent) of Canadian companies are not fully prepared to withstand significant technology-driven disruption.2

Some of the most disruptive events are “black swans”—events that occur unexpectedly, such as a sudden decline in commodity prices, such as oil, that have long underpinned the economy in which the company operates, changes in exchange rates, geo-political events such as changes in government, or changes in trade agreements.

A company’s ability to successfully manage a black swan event depends largely on having tight control of operations and assets and the right information at the right time in order to make quick and effective decisions. In these situations, most companies rely on their finance leaders and finance teams to provide that information and to help make strategic choices. To succeed, companies need to be nimble in their response to disruptive events and be able to quickly assess the changes in their operating environment, evaluate their strategic options, and implement their strategies quickly and effectively.

Since disruptive and transformative events often appear with a limited time window in which the company can respond, management cannot afford to wait until an event is on the horizon before they begin building their finance team’s capabilities. Instead, management needs to be proactive in assessing the impact an event could have on the company and the finance team, determine its readiness to respond, and then take steps to build the finance capabilities that are necessary to manage that response. Unfortunately, however, many companies are investing less than their peers in developing those capabilities; in fact, and even more disturbingly, more than one-third—36 percent—believe they are investing more than their competitors, but are not.3

To learn how well-prepared most private company finance leaders and finance teams are to support the company as it handles a disruptive event, Deloitte surveyed 143 Canadian companies in the summer of 2016. We asked finance leaders about their current roles, the expectations their CEOs have of them, and the capabilities both CEOs and CFOs expect finance teams to have within the next few years. This report presents the findings of that survey and includes a discussion of the key steps that CFOs of private companies can begin taking to:

- Improve the efficiency of their current finance operations
- Provide more meaningful information to company owners about the financial operations of the business
- Strengthen the capabilities of the members of the finance team

The report also offers a framework to help CFOs evaluate their finance team’s current capabilities and identify the key competencies they will need to build so they and their teams will be ready to help their companies successfully manage through a disruptive event, while Appendix A examines some of the key impacts these events will have on finance.

2 ibid.
1. Mind the gap

Finance isn’t always well-aligned with the expectations many company owners have for their CFOs and finance teams.

CFOs have a wide range of responsibilities, as illustrated in Figure 3. Operator/steward activities, such as core transaction processing and internal controls and risk management are the critical foundation of a finance function in all organizations. These activities also support catalyst/strategist activities, which include creating a risk intelligence culture and developing capital allocation strategies.

Within private companies, finance leaders occupy a unique position of trust. Not only do they manage the cash and protect the financial well-being of the company, they also protect the personal interests of the business’s owner and family. Business owners place a high priority on finance leaders who act as operators and stewards—people who carefully manage costs, optimize tax, preserve cash and critical assets, handle transactions and accurately report the company’s financial position.

As private companies grow and mature, the role of their finance leaders changes. While record keeping and cash management continue to be important responsibilities, leading private companies invest in and reposition their finance teams to provide greater value and greater return on the cost of the finance function through CFOs acting as strategists/catalysts, undertaking activities such as developing and monitoring key financial indicators and providing input into the company’s strategy.

In mid-2016, Deloitte undertook two surveys—a North American-wide survey to determine CFOs’ expectations for the economy, and a Canadian-specific survey to learn about the expectations CFOs and their CEOs have for their finance teams.
Concerns about the economy are growing
Although 40 percent of North American CFOs described the economy as either good or very good, that’s down from 55 percent at the end of 2015. And while 39 percent believe the economy will be even better in a year’s time, that’s down from 47 percent at the end of 2015.

What’s behind CFOs’ concerns?
For starters, weak and uncertain commodity prices, especially given the effect that falling prices, particularly oil, have already had on the broader economy. Other events they worry may disrupt the marketplace and economy include the longer-term impacts of Brexit, disruption in the Chinese economy and weakness in the US economy. Many CFOs are also concerned that capital markets are overvalued.

Within their own organizations, they are concerned about funding and executing growth initiatives, innovation, being able to execute their organization’s strategies and plans—not to mention the changing and aging workforce, leadership turnover and the challenges of retaining key employees.

These are all critical concerns, and any of them could significantly disrupt a company’s growth. But while finance leaders should have the kinds of insights into the business that can enable them to identify where problems may arise, do they have the time to develop those insights? If so, how well do they communicate them to business owners and other management? And what support does the company provide to the CFO to help build finance’s capabilities and better support the business?

In short, is anyone listening to the CFO?
The role of CFOs and finance teams is changing

In this environment, it isn’t surprising that CFOs and finance departments are experiencing unprecedented change. More than 80 percent of respondents to our Canadian CFO survey said their role has changed a great deal over the past decade (see Appendix B, Q1). Meanwhile, the expectations that CEOs and other C-suite executives have for the CFO are also changing. Almost one-third (31 percent) said the expectations placed on them have changed a great extent over the past two to three years, and a further 57 percent said those expectations have changed to some extent (see Appendix B, Q5).

CFOs are increasingly expected to be strong strategists/catalysts. One of the top expectations CEOs and C-suite executives have of CFOs is that they will play a role in strategy development (see Appendix B, Q4). For their part, CFOs overwhelmingly agree—over 90 percent of them strongly agree that they have an increasingly important role to play in strategic decision-making (see Appendix B, Q1).

But how well aligned are CFOs and finance teams with the other expectations that their CEOs and C-suite colleagues have for them, and how well prepared will their finance teams be to meet the needs of the future? Although a precise answer to that question will differ from one company to the next, the survey suggests there are disconnects in many cases between what CFOs are doing now, what CEOs and other C-suite executives are expecting them to do, and what CFOs anticipate they will be focusing on in future.

What CFOs are doing today

Today, the activities that currently consume most of an average CFO’s time are (see Appendix B, Q2):

- Reporting financial position and operations to stakeholders (23 percent of their time)
- Forecasting (13 percent of their time)
- Mergers and acquisitions (11 percent of their time)
- Balancing capabilities, talent, costs, and service levels (eight percent of their time)

While these are all worthwhile activities, they aren’t all well-aligned with what CEOs expect of the CFO and finance.

For example, despite a consensus among CFOs, CEOs and other C-suite executives that CFOs should play a role in strategy development, most CFOs currently spend comparatively little time on strategic activities. Only about one-third of CFOs spend more than 10 percent of their time on the analysis of the external environment or on capital allocation strategies. Over three-quarters of them spend less than 10 percent of their time on planning for externally affected change possibilities through the adjustment of key drivers (see Appendix B, Q2).

Similarly, 85 percent of CFOs say their CEO places a high priority on the CFO providing insights to management (see Appendix B, Q4). However, just 38 percent of CFOs spend more than 10 percent of their time on activities that will produce such insight, such as identifying and measuring key performance indicators (see Appendix B, Q2).

The full results of the survey are provided in Appendix B.
The closest alignment between CFOs’ current activities and the priorities of the CEO is in financial reporting (see Appendix B, Q4). Almost half of CFOs say their CEO places a high priority on financial reporting and, on average, CFOs spend almost one-quarter (23 percent) of their time reporting financial position and operations to stakeholders (see Appendix B, Q2). However, the time required for financial reporting is out of alignment. Today, CFOs spend more time on financial reporting than on any other activity, and six out of 10 CFOs say that time requirement tends to overwhelm their other important roles (see Appendix B, Q1). The effort that CFOs and their finance teams are required to put into financial reporting also suggests they are falling short in ensuring efficient and effective processes related to finance, as their CEOs expect.

Clearly, most finance leaders’ time continues to be devoted to operator/steward responsibilities, all of which are important to the company especially in its early stages of maturity. Based on these survey responses, however, it would appear that many finance teams have yet to become strategic partners with the business owner and other members of the management team.

**Where CFOs expect to be in future**
When CFOs look ahead, they believe the top priorities for them and their teams over the next two to three years will include (see Appendix B, Q3):
- Funding and managing growth
- Managing risk and adapting to change
- Managing talent, including recruiting and retaining staff and succession planning
- Information management, including information delivery (getting data faster), KPIs, reporting systems, automation, process improvements, and big data

**But will CFOs and finance teams be prepared to take on these challenges?**
For example, while CFOs expect funding and managing growth to be a top priority in future, they currently spend, on average, just seven percent of their time on funding/managing growth (see Appendix B, Q2). Similarly, while adapting to change and managing risk ranks second among CFOs’ expected future priorities, they now spend only an average of six percent of their time analyzing the external environment (see Appendix B, Q2). In short, finance leaders are not spending time either addressing or preparing to take on the top challenges they expect to face in the future.

There also appear to be disconnects between where CFOs expect to spend most of their time in future, and the changing expectations that CEOs and other C-suite executives have for their CFOs. CEOs expect CFOs to have an increased focus on (see Appendix B, Q6):
- Strategy (34 percent)
- Operations, business partnership, management, process improvement (18 percent)
- Demands/expectations (legal, HR, IT), compliance requirements (18 percent)
- Providing insight, intelligence, analysis, forecasting (14 percent)
- Growth (14 percent)

CEOs expect their CFOs to be more of a business partner and advisor rather than just the controller and leader of a reporting function. Unfortunately, the day-to-day responsibilities of many CFOs and finance teams leave them with little time for business partnering activities. To succeed in the future, CFOs and finance teams need to become more efficient and provide data in a more meaningful and relevant format for CEOs and other users of that information.
2. Succeeding in the future

By addressing three key needs today, finance teams will be better prepared for tomorrow

Private company finance leaders understand what is expected of them, where and how those expectations are changing, and the priorities they believe they will face in future. They are also well aware of the external and internal events that could disrupt their companies’ growth. The challenge, however, is that their teams lack the capabilities to take on many of the key responsibilities needed to help ensure the company continues to succeed. What’s more, the demands of many of their current activities leaves many finance teams with insufficient time to realign their roles and build a more mature finance function for the future.

Fortunately, the options available to CFOs to help them realign their roles and activities are much greater—and much more affordable—than ever before. Whereas the technologies available to automate many finance tasks were once out of the reach of all but the largest organizations, new cost-effective solutions are increasingly being adopted by private companies. In addition to the traditional ERP and CPM suites, new niche players provide a full range of cloud-based and on-premises solutions across data capturing/processing, analytics and data visualization to make simple tasks simpler and complex tasks possible.

While the range of potential solutions may seem daunting at first, a growing number of companies are now identifying and moving to cloud-based and other solutions, and as they do the service providers are enhancing the scalability and security of their solutions to help finance address three critical needs, namely:

- To become more efficient
- To communicate their knowledge of the business and provide operational insights
- To build stronger, more client-focused teams
Finance needs to become more efficient

While CEOs and CFOs both expect CFOs to take on greater roles in providing input into strategy, financial reporting will always be a key finance responsibility. Indeed, financial reporting still ranks among the top three expectations that CEOs have for their finance teams. The problem for CFOs is that financial reporting overwhemls their other responsibilities.

So, what’s the solution?

Most CFOs—87 percent—are having trouble keeping up with their current workload, and so they say either a reduction in that workload would be somewhat or very effective in helping them achieve greater success (81 percent) (see Appendix B, Q8) or having “more time” do their work would be helpful (six percent) (see Appendix B, Q7).

While changing finance’s current workload and schedules may ease some problems, a better solution would be for finance to become more efficient in reporting financial performance. Financial reporting consumes the large amount of time that it does for several reasons:

- **Lack of automation:** Many finance teams continue to rely heavily on manual journal entries. There may be varying charts of accounts across the organization, and the main automation tool is most often a spreadsheet, which has limited functionality

- **Disparate systems:** In many companies, multiple disparate systems play a role in the financial close and financial reporting cycle. Purchase orders may not be used consistently, or foreign currency translation may be performed manually; time recording systems may not be integrated with accounts payable, resulting in manual reconciliations; all of the required information may not be available in a single report; capital projects may be tracked using a spreadsheet and manually assessed for percentage completion and forecasts

- **Lack of communication:** Members of the finance team, and others involved in the reporting process, may be unclear about the work done by others and how their work interrelates; monthly reporting requirements may not be clearly defined; and the critical path may not be well understood

This isn’t “news” to Canadian CFOs: they recognize that finance could be more efficient than it is. They also know that a lack of sufficient tools and resources is the main reason many finance teams continue to rely heavily on manual tasks. Indeed, 94 percent of the CFOs in our survey said that automating manual tasks would be somewhat or very effective in helping them achieve greater success (see Appendix B, Q8).

Better tools would also help finance be more effective in other activities. For example, 91 percent of CFOs say improved tools for forecasting, reporting and/or budgeting would be somewhat or very effective in helping them achieve greater success (see Appendix B, Q8). Similarly, more than 90 percent say their CEOs and C-suite colleagues believe that developing new tools or refining existing ones for financial reporting, forecasting and budgeting are a priority (see Appendix B, Q4).

However, despite recognizing their potential benefits, most CFOs aren't currently spending time developing or refining these tools. In fact, less than one-third—32 percent—are looking at better tools to become more efficient (see Appendix B, Q7). Nevertheless, 90 percent of CFOs say they expect their finance teams will increasingly rely on automation over the next two to three years, and 56 percent believe it will increase by a lot (see Appendix B, Q10).

Why aren’t finance teams developing new tools? Do they lack the budgets? Do they believe the cost will be too high? Are they unaware of the options?

Roadmap to building a more efficient finance team

Identify the processes and procedures currently being followed.

Consider how to reduce manual activities and the use of Excel.

As demand for new information (more, faster, better information) increases, a move to standardized monthly close and reporting requirements will be required.

Research the potential technology solutions available to:

- Automate processes
- Embed control
- Empower end users
Perhaps, a reason why CFOs are so confident that their teams will make greater use of improved tools in the future is because most finance teams are currently so poorly automated that even a minimal acquisition of new tools would be an improvement. Today, almost all CFOs and their teams use spreadsheets for financial reporting, forecasting, and providing financial insights (see Appendix B, Q9). Spreadsheets are useful tools with embedded calculations, built in macros and other features, however they are not designed for forecasting or producing insights. Spreadsheets lack controls needed to understand audit trails and identify breaks and errors and, as spreadsheets required for larger, growing business become more complex, there is a greater risk of corruption, version control problems and general errors.

That is not to say that some finance teams don’t also make use of other tools in addition to spreadsheets. For example, 86 percent of them utilize financial reporting systems, though just 75 percent do so to provide financial insights and only 48 percent do so for forecasting (see Appendix B, Q9).

As it happens, more than 50 percent of CFOs are now using dashboards to provide financial insights (see Appendix B, Q9), and a growing number of finance teams are replacing spreadsheets with cloud-based software, planning and forecasting tools, and data visualization tools to automatically generate data and provide end users with the ability to drill down into that information.

Clearly, finance leaders recognize that their teams need better tools to be more successful, and they expect they will obtain those tools at some point in the future. But how well do finance leaders understand the tools that are already available and which they could adopt now? In the past, many of the tools available to automate finance were costly and complicated to implement. However, as with all technologies, the tools available to connect the financial process across the organization have changed dramatically in recent years. Finance leaders who research and assess the options currently available will likely find that the time, effort and money needed to implement these tools is significantly less than they expect.

Finance leaders also need to ensure that business owners understand the value a mature finance team can bring to the company, and the risks created when the finance team’s capabilities are not effectively aligned with the company’s needs. While the transformation of the finance team and the adoption of new finance tools will cause some short-term disruption during the transition, a finance team with enhanced capabilities will have a deeper understanding of the business and be able to deliver greater, more meaningful insights to help the owner successfully manage that business.
What does a more efficient finance function look like?

Compared to less mature finance teams that are poorly automated, utilize disparate systems, and are hampered by poor communications, finance teams that are either of advanced or leading maturity are characterized by the following:

- Teams at an advanced level may still use subsystems, such as Excel, but that usage will be limited.
- At a leading level, all stakeholders are able to perform detailed monitoring of progress in real time.
- Advanced level teams have clearly defined materiality levels, although business units may have different methods of determining materiality.
- Leading level finance teams have a clear vision of how potential acquisition entities could be integrated in the closing process.
- In advanced level teams, everyone involved has a clear understanding of the requirements of the consolidation process, and on leading level teams everyone is in fact involved.

<table>
<thead>
<tr>
<th></th>
<th>Advanced</th>
<th>Leading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chart of Accounts</td>
<td>Common but open to ad hoc changes</td>
<td>Standardized and bound by change governance</td>
</tr>
<tr>
<td>Reconciliations</td>
<td>Key reconciliations are automated</td>
<td>All reconciliations are automated</td>
</tr>
<tr>
<td>Local vs. statutory reporting</td>
<td>GL and reporting systems require some manual adjustments</td>
<td>Automatically accommodated</td>
</tr>
<tr>
<td>Tracking progress</td>
<td>High-level workflow tracking, manual</td>
<td>Full workflow management and detailed monitoring, automated</td>
</tr>
<tr>
<td>Visibility of financial information</td>
<td>High-level visibility plus drill-down capability</td>
<td>Real time access plus multi-dimensional views available to all stakeholders</td>
</tr>
<tr>
<td>Materiality</td>
<td>Defined, but not customized</td>
<td>Defined and harmonized by transaction type</td>
</tr>
<tr>
<td>Consolidation</td>
<td>Enterprise-wide consolidation with standardized, non-automated inputs</td>
<td>One fully integrated consolidation tool</td>
</tr>
<tr>
<td>Controls</td>
<td>Non-automated monitoring in place</td>
<td>Online, real-time monitoring available</td>
</tr>
<tr>
<td>Metrics</td>
<td>Electronic output available on-demand</td>
<td>Tailored reports automatically pushed to users</td>
</tr>
<tr>
<td>Talent</td>
<td>Roles are clearly defined, responsibilities are documented, and performance is measured against defined KPIs</td>
<td>Roles and responsibilities are clearly defined, documented, and updated regularly. Performance is measured against commonly accepted KPIs</td>
</tr>
<tr>
<td>Business partnering</td>
<td>General reports are focused on KPIs and business drivers</td>
<td>Tailored reports are focused on KPIs and key business drivers</td>
</tr>
</tbody>
</table>
Finance needs to communicate its knowledge of the business and provide insights into its operations
In public companies, finance teams produce extensive financial reports and other financial documents because different users want information about different aspects of the business. Although financial reporting is often more straightforward and less diverse in private companies, most users of this information want finance to speak the language of the business rather than the language of finance.

CFOs might be able to better communicate their knowledge of business and provide better insights into operations if there was a better alignment of strategic priorities according to 85 percent of CFOs (see Appendix B, Q8), while 11 percent of CFOs said simply having clearer expectations of management would be helpful (see Appendix B, Q7).

More importantly, a greater use of data visualization tools would also help CFOs and their finance teams to better communicate with, and support, management (see Executive dashboard on page 17). These tools enable finance teams to reposition and repurpose the data it collects to present it in a way that is more meaningful to company owners and other leaders, and enables them to better understand the performance of the business through the lens they understand best and clearly present the business’s performance drivers.

Finance teams also need to consider unlocking the full potential of analytics. Finance is ideally positioned to capture and manage all of the data that drives better decisions. In addition, however, finance should also position itself to provide the context around that data. While financial planning and analysis has long been a core finance function, when approached more strategically, it can open the door for finance to empower key stakeholders so that they can more effectively manage the risks and opportunities related to business growth in partnership with finance.
Communicating finance’s knowledge of the business and providing key insights

Below is an example of an executive dashboard, which presents data in a format that is more relevant to CEOs and management than traditional financial reports.

**Executive dashboard**

<table>
<thead>
<tr>
<th>Category</th>
<th>Total number of vendors</th>
<th>Total number of transactions</th>
<th>Number of flagged vendors</th>
<th>Total number of transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total number of vendors</strong></td>
<td>16,703</td>
<td>7,090</td>
<td>2,568</td>
<td>1,719</td>
</tr>
<tr>
<td><strong>Purchase orders</strong></td>
<td>$264M</td>
<td>7,090</td>
<td>$77M</td>
<td>1,719</td>
</tr>
<tr>
<td><strong>Invoices</strong></td>
<td>$273M</td>
<td>35,824</td>
<td>$37M</td>
<td>1,682</td>
</tr>
<tr>
<td><strong>Payments</strong></td>
<td>$266M</td>
<td>16,303</td>
<td>$16M</td>
<td>990</td>
</tr>
</tbody>
</table>

**Risk Range**

All

**Overview of purchase orders by period**

**Overview of invoice by period**

**Overview of payments by period**

- Total number of transactions
- Flagged number of transactions
- Sum of Flagged Amount (USD)
Finance needs to build a stronger, more client-focused team

Many CFOs say the lack of sufficient or appropriate talent is a constraint on their current capabilities. While 27 percent of CFOs identified staff and talent at a currently outstanding need (see Appendix B, Q7), 92 percent of CFOs said better aligned skills in the finance team are needed, and 79 percent of CFOs identified increased staff as a need (see Appendix B, Q8).

CFOs know they need to build strong finance departments, not only to demonstrate the total contribution that finance can make to the company but also to free up more time to devote to strategic concerns. But it’s not easy to do: many CFOs say they’re having a hard time finding or developing the kinds of employees who can help shift the finance department away from a collection of technical specialists and toward a team of businesspeople who can work with business unit leaders to add value to decision-making.

CFOs who responded to Deloitte’s CFO Insights Q2 2016 survey said that ensuring the right people are in the right seats is one of their top priorities for 2016. Tactics include better performance management processes, an increased focus on talent development and continuous learning, and clear succession planning. CFOs also say their compensation models may need to be adjusted.

CFOs are having a hard time finding or developing people who can help them shift finance away from being a collection of technical specialists toward being a team of businesspeople who can work with business unit leaders to add value to decision-making.

In an era of greater workforce mobility and severe skills shortages, attracting and retaining top talent is a major challenge for every organization. It can be especially difficult for private companies, which usually lack the resources of larger enterprises and cannot offer as many job options. However, every organization that creates a workplace culture that engages, retains and motivates workers can compete in today’s talent market.

The challenge is to create a finance culture with deep employee engagement created by providing meaningful work, career and growth opportunities, a flexible and humane work environment, job and organization fit, and continuous improvement, together with strong leadership.

Organizations that do this can expect to be rewarded with the strong engagement of their employees and a strong foundation of partnership with the business. To build this kind of culture, organizations need to understand workers’ motivations, which have evolved over the years. Today’s employees have a new focus on purpose, mission and work-life integration. Since more than twice as many of them are more motivated by work passion than by career ambition, organizational leaders need to focus on making the work environment compelling and enjoyable for everyone. Because their desires, needs and values will shape organizational cultures over the next decade, understanding Millennials in particular is currently key.

With their reliance on manual processes and the repeated need for overtime work just to get things done to meet deadlines for operator/steward responsibilities, traditional finance functions don’t offer the type of work environments that today’s employees are likely to find attractive. However, by automating current processes, finance can modernize itself. In this way, employees will have more time to focus on more meaningful, higher value work and finance itself can become much more attractive to the next generation of talent.
Getting the right people in the right seats

Building a strong finance team begins with assessing the capabilities of direct reports and other crucial staff and determining whether individual capabilities need to be improved or new talent needs to be recruited. Here are eight questions CFOs should ask to help make this assessment:

- How confident are you in each of your direct reports and the key staff below them?
- Who gives you and your team positive energy, and who sucks energy from you?
- Who would you take with you if you left tomorrow?
- Who is a good brand ambassador to other organizations?
- Who is or is not a team player?
- Who is a flight or retirement risk?
- Who is technically competent but managerially incapable?
- Who understands the business and can provide meaningful business insights?
3. Implementing a modernization plan

Modernizing finance is typically a long-term process that must be carefully managed.

When a private company encounters a disruptive event, the capabilities of the finance team will often determine the company’s success in managing that event. Since it takes time for finance to acquire those capabilities, teams need to determine—well in advance—what they need to do to become “event ready” and then take the necessary steps to build the required capabilities.

Here is a game plan.

**Determine where finance is positioned today**

The first step in determining whether your finance team is event ready is to assess its capabilities in the areas of close, consolidate, management reporting, financial reporting and finance operations. What are finance’s current strengths? What areas are in need of improvement, and what would those characteristics look like?
Create a finance modernization plan
Once the team has identified where it is currently positioned, it can determine the capabilities it needs to acquire to begin operating at an advanced or leading level. Often this will require:

1. **Determining systems needs and developing a systems strategy.**
   Many private company finance teams need to improve their efficiency to operate as a public company by automating any tasks they currently perform manually. Today, cloud technologies provide private companies with world-class automation capabilities that allow them to replace lagging systems faster, with better functionality and at a significantly lower cost and time to implement than traditional systems.

2. **Determining process needs.** When transitioning from manual to automated processes, a key consideration is to develop integrated approaches that improve efficiencies, avoid duplications of effort, create team alignment, and replace ad hoc approaches with standardized, documented procedures.

3. **Determining a talent strategy.**
   Most finance teams will need to transition their people from their current roles and responsibilities to new ones that are aligned with the future role and objectives of the finance function. When investing in their talent, companies need to critically assess the current structure and talent of the finance team and identify the required training and development, such as education programs, courses, and ongoing onsite learning for current team members as well as any recruiting needs to ensure that the finance team has all of the required skills and capabilities to fulfill the finance vision.

4. **Streamlining reporting.** Highly integrated systems that are seamlessly linked across the organization enable finance teams to gather information about all aspects of the organization easily and quickly, thereby freeing up time to analyze that data and provide short, focused reports that contain clear insights into operations, cash flows, the financial condition of the business and other important factors.

Build commitment to finance’s modernization
Modernizing a finance function, rebalancing it across all four faces of finance, is a major undertaking that often involves acquiring and implementing new systems, developing new processes, and both upgrading and realigning people’s skills. This modernization process will also impact more than just the finance function itself. It is important, therefore, that the company’s CEO and other members of its management team agree and are committed to modernizing the finance function.

Manage the modernization plan
Modernizing the finance function is typically a complex, longer-term process that must be carefully managed to ensure that activities are coordinated and undertaken in the appropriate timeframes. Members of the finance team will need to be supported as they transition their skills to take on new responsibilities.
Finance trends
| Implementing a modernization plan
Conclusion

As private companies grow, their needs from, and expectations of, the finance team change and evolve. The key capabilities required of finance when the company is a start-up and in its early stage of growth—dealing with transactions, managing cash and taxes, and record keeping—continue to be important in more mature companies. However, larger, more complex companies need a finance team that also has a deeper knowledge of the business and is capable of providing greater strategic insights into its operations.

The importance of a mature finance team is demonstrated when a company faces a disruptive event. These are all complex events that usually arise suddenly with a short timeframe to take advantage of them. To navigate them successfully, private companies need to build their finance teams’ readiness capabilities well before such an event is encountered.

In order for finance to be ‘event ready,’ most teams will need to become more efficient. How? By automating the many processes that continue to be performed manually, by using data visualization tools to provide information that is more insightful and relevant to management, and by strengthening their finance teams to be more effective in handling the more complex, higher value tasks that are increasingly required by a growing company.

Today, many private company owners say they would like their finance leaders to act as strategic partners to the company’s owners and other members of its management team. But are they willing to make the investment in finance that will enable it to be such a strategic partner? Undertaking a readiness assessment and building finance’s capabilities isn’t an optional exercise since it is not a case of if one of these events will occur, but when. Companies cannot afford to underestimate the impact a disruptive event will have on their business. Nor can they afford not to begin modernizing their finance teams.
Appendices
Appendix A: Disruptive events

Some disruptive events are within a company's control, while others are not. When any of these events arise, having an advanced finance team is essential for success.

At some point, every private company will encounter at least one of four major game-changing, disruptive events. All will eventually undergo a transition of ownership to the next generation of the current owner's family, or a sale to an outsider or private equity. It may be the opportunity to buy another company or sell a key asset. Increasingly, many private companies are opting to go public, either to raise funds to fuel further growth or to enable the company's owners to remove some of their equity from the business.

Often these events will arise suddenly, and companies will have only a limited amount of time to take advantage of them. The success of any of these events depends in large part on finance's capability to support the transaction. Because of the complexity of these transactions, finance must have the capability to operate on multiple levels, from providing core transaction processing and accurately reporting financial position to effectively monitoring key performance indicators, analyzing scenarios and planning for possibilities and contingencies.

**Events - Matter of when not if**

- Purchase
- Sale
- Succession
- IPO

**Impact on finance:**
- Management reporting and insights
- Process
- Internal controls
- Tax optimization
- Integration and evaluation of talent
Unfortunately, it isn’t uncommon for private company finance teams to be incapable of handling these tasks, with the result that:

• The financial reporting is inadequate to support the transaction, and may not even be in compliance with private company financial reporting requirements
• The finance team lacks the right skill sets to undertake the required quantity and quality of financial reporting
• The CFO and finance team often have to redo past financial reports to bring them up to the required standards
• Finance becomes a bottleneck to the business, limiting its ability to capitalize on these events because finance and the company are surprised to learn the depth and breadth of improvements required of finance
• After an unsuccessful event, there is a long-term negative impact on the finance team and its culture, which reduces its ability to function appropriately

Since these events often arise suddenly and must be acted upon quickly, private companies need to build a strong finance team well in advance of undertaking an event. By undertaking an early readiness assessment, companies can put in place an improvement plan that includes automating processes to improve efficiency, utilizing data visualization to provide more insightful and meaningful information, and building a stronger finance team – all of which are key building blocks to creating both an event-ready finance function and one that is more efficient and effective when performing everyday tasks, such as monthly and annual reporting.

Every significant event—mergers, acquisitions, divestitures, succession, sales to new owners or the introduction of private equity, and of course going public—has significant impacts for finance. Finance needs to be ready to support the company in capitalizing on and executing the transaction, while also creating and protecting the value in the business for the owner. The sections below focus on some of the major considerations for finance related to the purchase of a business, the sale or succession of a business, and going public. Companies considering any event should examine them in detail to determine what will be required of finance and to assess finance’s readiness for the event.

**Mergers and acquisitions (M&A)**

When a merger or other acquisition opportunity arises, the window to take action is time-sensitive. Most intrinsic factors for success can be planned for in advance to significantly reduce deal execution risk. Nonetheless, the majority of M&A transactions fail to deliver anticipated value to shareholders.

The rewards of M&A can be great. Having a clear strategy around target selection and building the appropriate capabilities from a combination of in-house and external expertise in preparation to execute the deal with discipline is key to agile execution and seamless integration. Finance is both a gatekeeper and an enabler, throughout the M&A lifecycle, because it is critical to informing decision making with rigorous and fact-based analysis.

Finance’s role in an M&A transaction may include:

• Maximizing tax efficiencies and protecting against exposures as well as maximizing after-tax returns on the investment
• Commenting on the valuation assumptions and synergy assumptions in the deal model
• Treasury and capital raising functions, such as helping to structure financing through debt and equity arrangements
• Acting as the key interface between the corporate development team, the CEO, the board, and external financial and accounting advisors, investment bankers, financing syndicate and the sellers

• Performing financial analysis to assess key risks and value drivers
• Analyzing the target’s sustainable run-rate earnings, required working capital levels, and debt and debt-like items within the target company
• Performing historical budgeting accuracy and year-to-go analysis
• Performing cash flow, capex and foreign currency analysis
• Designing a path toward accounting policy alignment between buyer and seller
• Interim period financial monitoring on the target company’s performance and key value drivers between signing and closing
• Planning for the transition of key reporting functions and systems in advance of Day One, including activities related to bank accounts, payroll, vendor and customer transaction assignment
• Assessing the strength of the accounting and reporting controls environment as well as the target company’s finance team
• Preparing for longer-term finance integration, consolidation, and other post-closing accounting requirements

When your company is considering an acquisition, being able to produce high-quality, accurate, timely financial information on the base company’s performance is vital. This will also allow finance to participate more actively in the deal process. Finance’s ability to contribute valuably to the M&A transaction will result in a better chance of the deal realizing desired shareholder value. Having an integrated system of financial reporting, with documented processes and procedures, will help ensure the integration process goes smoothly after the acquisition.
Succession or divestiture

No one goes through the work, risk and sacrifice of starting a business without hoping it will last. Building value that endures is the dream that motivates entrepreneurs. Yet in many businesses, too little of that work goes into determining who will take over when the founders leave the stage or what kind of investors are needed to drive business growth and scale.

A business working without a succession or exit transition plan invites disruption, uncertainty and conflict, endangering future competitiveness. In the case of family-owned businesses, only 30 percent survive into the second generation, 12 percent survive into the third, and only about three percent operate into the fourth generation and beyond.

Ideally, the current owner’s departure from the business shouldn’t be an event, but rather a carefully managed process, since it normally takes time for business owners to transition or exit without detriment to enterprise value. Likewise, incoming investors or buyers need to be confident that the business will continue to succeed and thrive toward greater scale after this transition. Building an experienced management team to professionalize private business is often the first critical step along this journey, and finance has a leading role to play in this context within that management team.

When businesses contemplate divestiture, a key determinant of a successful sale is the company’s ability to credibly and quantitatively present its track record to prospective investors. Having a reliable and disciplined budgeting and monthly management review process, having high-quality, accurate and timely financial information will help companies better support their value. Knowledge is power.

Buyers will put considerable effort into analyzing the company's historical performance. Buyers will also want to understand the company’s value drivers, industry benchmarks and key economic and market trends. Finance needs to lead divestiture readiness preparation in order to withstand the rigors of an auction or due diligence exercise by prospective investors. The CFO and finance team are vital not just for crafting the story of the company’s past growth but also in helping to create the narrative for the company’s future vision and growth strategies.

In order to have the ability to generate the required financial information about the company, finance will need to have the right reporting systems and technologies in place, which will both help improve the ongoing financial management under the current and future owners, and also attract buyers who can be confident in the company’s financial records.

Succession or divestiture planning – Readiness assessment

1. Have you defined your personal goals, a vision, and a timeline for the transfer of ownership and management of the company?
2. Do you have an identified successor or exit strategy in place?
3. Have you considered divestiture to external investors? If so, how long would the founders be willing to stay on to secure value? What percentage would be divested of?
4. Have you put in place a robust finance function in order to support a divestiture process where there may be multiple bidders?
5. Have you considered how to get ready for a divestiture?
6. Have you considered how to identify and screen prospective investors or buyers based on your values and vision?
7. If applicable, have you resolved the family issues that often accompany leadership and ownership decisions?
8. Does your plan include a strategy to reduce estate taxes?
9. Will there be sufficient liquidity to avoid the forced sale of the business?
10. If succession will one day require the transfer of assets, have you executed a “buy-sell” agreement that details the process ahead of time?
11. Is there a detailed contingency plan in case the business owner dies or becomes unable to continue working sooner than anticipated?
12. Have you identified and considered alternative corporate structures or stock-transfer techniques that might help the company achieve its succession goals?
13. Have you determined whether you or anyone else will depend upon the business to meet retirement cash flow needs?
14. Have you recently had the business valued and analyzed in the same way potential buyers and competitors would?
Initial public offerings (IPOs)

Today, a growing number of private companies are considering going public. On the surface, the transformation from a private to a public company may seem fairly straightforward. But this is often not the case as IPOs can introduce costs and challenges to the finance function. And with the changing landscape placing greater importance on market timing, the need for private companies to prepare well in advance of their IPO entry has increased exponentially.

Private businesses will need to gear up their financial reporting capabilities to meet the significantly greater requirements of public companies, including:

- Annual and quarterly financial statements
- Quarterly news releases
- Management discussion and analysis commentary
- CEO/CFO certification requirements
- Ongoing regulatory and securities commissions disclosures
- Review of the finance function, ensuring compliance with internal control requirements, and optimizing future state performance

Going public also means having to switch the preparation of financial statements from Accounting Standards for Private Enterprises (ASPE) to either International Financial Reporting Standards (IFRS) or US Generally Accepted Accounting Principles (GAAP).

Finally, a private company will need to produce several years of audited financial statements before it goes public. Trying to generate this material immediately before going public may require a significant amount of time and effort even for the most advanced finance team. For this reason, private companies intent on an IPO should begin by having annual audits conducted several years in advance of when they expect to go public.

Beginning the journey to an IPO

Once finance has been transformed and has acquired the required competencies to support all of the activities associated with an IPO, the company can begin its journey to going public. The key steps in that process are:

1. **Assess - Pre-IPO considerations**
   - Assess the organization's readiness to undertake an IPO. Identify and fill any gaps in the organization.
     - Understand business value drivers and the corporate environment
     - Develop goals for the organization and a business strategy
     - Consider where to list the IPO
     - Review the quality of financial reporting
     - Assess the corporate governance model
     - Consider tax implications and other legal and regulatory matters
     - Evaluate resource capabilities and plan for the future state
     - Engage in initial discussions with external advisors

2. **Plan - Preparing for the IPO**
   - Create a detailed plan and timetable to track the status of the IPO process.
     - Develop detailed IPO timetable with key milestones
     - Set up a project management office to ensure goals are met
     - Create communications strategy and form investor relations group
     - Share the corporate story and vision to potential investors
     - Outline roles and responsibilities
     - Formalize corporate governance structure and Board of Directors
     - Consider interdependencies between various work streams
     - Perform internal controls assessment

3. **Execute - The IPO “event”**
   - Prepare and file for the IPO.
     - Draft key components of the prospectus and ensure financial reporting requirements are met
     - Pre-clear accounting and/or reporting issues with regulators
     - Prepare information for due diligence exercise
   - Respond to regulatory comments
     - Update the design of governance structure requirements, documents and processes
     - Ensure controls are in place for CEO/CFO certification
     - Finalize tax structuring

4. **Sustain - Life after the IPO**
   - Develop a plan for ongoing financial reporting commitments as a public company.
     - Post-mortem on IPO process
     - Evaluate status of internal controls gaps and their associated mitigation plans
     - Create ongoing external reporting calendar with key timelines
     - Consider ongoing training and development needs
     - Optimize the finance function
     - Monitor effectiveness of the board/management governance structure and benchmark against peer organizations
Appendix B

In the summer of 2016, Deloitte surveyed the CFOs/finance leaders of 143 Canadian companies. We asked them about their current roles, the expectations their CEOs have of them, and the capabilities both CEOs and CFOs expect finance teams to have within the next few years. The responses we received are presented here.

Role of the CFO: Past, present, and future

Q.1 How strongly do you agree or disagree with each of the following?

- The CFO has an increasingly important role to play in strategic decision-making.
- The role of the CFO has changed a great deal over the past decade.
- Financial reporting requirements tend to overwhelm other important roles for CFOs.

![Survey Results](image-url)
### Distribution of time spent on activities related to role as CFO

Q.2 Thinking about various activities related to your role as CFO, over the past year, approximately what percentage of your time did you spend on each of the following?

<table>
<thead>
<tr>
<th>Activity</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting of financial position and operations to stakeholders</td>
<td>23%</td>
</tr>
<tr>
<td>Forecasting</td>
<td>13%</td>
</tr>
<tr>
<td>Mergers and acquisitions</td>
<td>11%</td>
</tr>
<tr>
<td>Balancing capabilities, talent, costs, and service levels</td>
<td>8%</td>
</tr>
<tr>
<td>Identifying and measuring key performance indicators</td>
<td>8%</td>
</tr>
<tr>
<td>Funding growth</td>
<td>7%</td>
</tr>
<tr>
<td>Design and deployment of performance management systems and dashboards</td>
<td>7%</td>
</tr>
<tr>
<td>Analysis of external environment</td>
<td>6%</td>
</tr>
<tr>
<td>Capital allocation strategies</td>
<td>6%</td>
</tr>
<tr>
<td>Planning for externally affected change possibilities through adjustment of key drivers</td>
<td>4%</td>
</tr>
<tr>
<td>Other (e.g., HR, admin, BD, legal, operations, strategy, taxation…)</td>
<td>7%</td>
</tr>
</tbody>
</table>

### Greatest perceived challenge facing CFOs

Q.3 What would you say is the greatest challenge you will be facing in your role as CFO over the next 2 to 3 years?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding growth/managing growth (funding, sustaining, managing growth; capital expansion; managing costs, meeting targets)</td>
<td>38%</td>
</tr>
<tr>
<td>Adapting to change, managing risk (adapting to changes in the economy, markets, environment; managing risk in an unstable, volatile environment, global competition, foreign markets; keeping pace with changes, processes, technology)</td>
<td>20%</td>
</tr>
<tr>
<td>Staffing (replacing staff, talent acquisition, managing staff, retaining staff, succession planning)</td>
<td>17%</td>
</tr>
<tr>
<td>Acquiring info/data/reporting systems/tools (information delivery (getting data faster); KPI, reporting systems, automation, process improvements, big data)</td>
<td>13%</td>
</tr>
<tr>
<td>Balancing increased demands (e.g., greater responsibility in operations, strategy, decision making, admin)</td>
<td>10%</td>
</tr>
<tr>
<td>Regulatory/compliance requirements</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
<tr>
<td>No answer</td>
<td>12%</td>
</tr>
</tbody>
</table>
Prioritizing expectations

Q.4 Thinking about the expectations placed on your role as CFO by your CEO and other C-suite executives, what priority is placed on each of the following?

<table>
<thead>
<tr>
<th>Expectation</th>
<th>Low priority (1-2)</th>
<th>Some priority (3-5)</th>
<th>High priority (6-7)</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing insights to senior management</td>
<td>15</td>
<td>85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategy development</td>
<td></td>
<td></td>
<td>1</td>
<td>34</td>
</tr>
<tr>
<td>Financial reporting</td>
<td>2</td>
<td>49</td>
<td></td>
<td>65</td>
</tr>
<tr>
<td>Ensuring efficient and effective processes related to finance</td>
<td>3</td>
<td>49</td>
<td></td>
<td>48</td>
</tr>
<tr>
<td>Developing new tools or refining existing ones for forecasting and budgeting</td>
<td>8</td>
<td>51</td>
<td></td>
<td>41</td>
</tr>
<tr>
<td>Developing new tools or refining existing ones for financial reporting</td>
<td>9</td>
<td>61</td>
<td></td>
<td>30</td>
</tr>
</tbody>
</table>

Ways in which expectations of the CFO have changed

Q.6 Can you please briefly describe the way in which these expectations have changed?

<table>
<thead>
<tr>
<th>Expectation</th>
<th>Low extent (1-2)</th>
<th>Some extent (3-5)</th>
<th>Great extent (6-7)</th>
<th>Other</th>
<th>Not sure/no answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased focus on strategy (strategic direction, strategic decision making, planning; risk management)</td>
<td></td>
<td></td>
<td>6.3</td>
<td></td>
<td>34</td>
</tr>
<tr>
<td>Increased focus on operations, business partnership, management, process improvement</td>
<td></td>
<td></td>
<td>5.7</td>
<td></td>
<td>18</td>
</tr>
<tr>
<td>Increased demands/expectations (legal, HR, IT), compliance requirements</td>
<td></td>
<td></td>
<td>5.4</td>
<td></td>
<td>18</td>
</tr>
<tr>
<td>Increased focus on providing insight, intelligence, analysis, forecasting</td>
<td></td>
<td></td>
<td>5.3</td>
<td></td>
<td>18</td>
</tr>
<tr>
<td>Increased focus on growth</td>
<td></td>
<td></td>
<td>5.0</td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>Not sure/no answer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Extent of perceived changes in expectations of the CFO

Q.5 To what extent have the expectations placed on you as CFO changed over the past 2 to 3 years?

<table>
<thead>
<tr>
<th>Extent of changes</th>
<th>Low extent (1-2)</th>
<th>Some extent (3-5)</th>
<th>Great extent (6-7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low extent (1-2)</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some extent (3-5)</td>
<td></td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>Great extent (6-7)</td>
<td></td>
<td></td>
<td>31</td>
</tr>
</tbody>
</table>
Outstanding needs of the CFO role

Q.7 What would you say are the key outstanding needs you have that would help you more effectively in your role as CFO?

- **Tools/resources for better* forecasting, planning, reporting, analytics, data management; better info systems**: 32%
- **Staffing** (talent/skills acquisition, replacing staff, need for more staff, stronger teams, mentorship): 27%
- **More support/effort from management/leadership** (more communication, direction, engagement, motivation, expectations/clear roles): 11%
- **More time**: 6%
- **Less regulation/compliance requirements (and access to info)**: 2%
- **Other**: 3%
- **Nothing (unprompted)**: 1%
- **Not sure/no answer**: 29%

Effectiveness of approaches to achieving greater success

Q.8 Thinking about your current role and the expectations placed on it, how effective would each of the following be in helping you to achieve greater success?

- **Improved tools for forecasting, reporting and/or budgeting**: Mean 5.1
- **Increased automation of manual tasks**: Mean 5.2
- **Better stakeholder alignment with strategic priorities**: Mean 4.8
- **Better aligned skills in the finance team**: Mean 5.0
- **Reduction in overall workload**: Mean 4.3
- **Increased staff**: Mean 4.1
- **Increased autonomy**: Mean 3.5

* e.g., more affordable, integrated, easy to use, easy to manage and automated.
### Prioritizing expectations

Q.9 Do you use any of the following tools? If so, please indicate if you use the tool for either forecasting and/or providing financial insights.

<table>
<thead>
<tr>
<th>Tool</th>
<th>Uses tool</th>
<th>Uses tool for forecasting</th>
<th>Uses tool for providing financial insights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spreadsheets</td>
<td>99</td>
<td>98</td>
<td>97</td>
</tr>
<tr>
<td>A financial information system</td>
<td>86</td>
<td>48</td>
<td>75</td>
</tr>
<tr>
<td>Reporting dashboards</td>
<td>57</td>
<td>27</td>
<td>53</td>
</tr>
<tr>
<td>Cloud-based software</td>
<td>43</td>
<td>11</td>
<td>17</td>
</tr>
<tr>
<td>Planning tools</td>
<td>39</td>
<td>35</td>
<td>37</td>
</tr>
<tr>
<td>Data visualization tools</td>
<td>22</td>
<td>13</td>
<td>21</td>
</tr>
<tr>
<td>Automated forecasting tool</td>
<td>15</td>
<td>15</td>
<td>12</td>
</tr>
</tbody>
</table>

### Expected reliance on automation

Q.10 Over the next two to three years, do you expect your finance team’s reliance on automation to increase, decrease, or stay about the same?

<table>
<thead>
<tr>
<th>Expected reliance</th>
<th>Decrease (1-3)</th>
<th>Stay the same (4)</th>
<th>Increase (5-7)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>8</td>
<td>90</td>
</tr>
</tbody>
</table>

56% say it will increase a great deal (6-7)
**Position**

Q.11 What is your current title within your organization?

- CEO
- COO
- Someone else

Q.12 Do you report to the CEO, COO or someone else in your organization?

- CEO
- COO
- Someone else

**COO function**

Q.13 Does your organization have a COO or someone in a similar capacity besides yourself?

- Yes, we have a COO
- Yes, someone other than a COO fills this role
- No, leading operations is part of my role

**Years in current position**

Q.14 For how long have you been in your current position?

- <1 year
- 1-4 years
- 5-9 years
- 10-19 years
- 20 years+

Average # of years in position=8 years

- <1 year
- 1-4 years
- 5-9 years
- 10-19 years
- 20 years+
### Direct and indirect reports

**Q.15 How many people in your organization report to you... directly?**

<table>
<thead>
<tr>
<th>Directly</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>1-4</td>
<td>48</td>
</tr>
<tr>
<td>5-9</td>
<td>32</td>
</tr>
<tr>
<td>10+</td>
<td>18</td>
</tr>
<tr>
<td>No answer</td>
<td>1</td>
</tr>
</tbody>
</table>

**Q.16 How many people in your organization report to you... indirectly?**

<table>
<thead>
<tr>
<th>Indirectly</th>
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<tr>
<td>100+</td>
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### Firm size

**Q.17 Approximately how many people, including yourself, does your business directly employ in Canada?**

<table>
<thead>
<tr>
<th>Size</th>
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<td>12</td>
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<tr>
<td>100-249</td>
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<td>250-499</td>
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<tr>
<td>500+</td>
<td>35</td>
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</tbody>
</table>
Finance trends | Appendix B
Audit Advisory

Building long term relationships with your finance team.

At Deloitte, our Audit Advisory practice understands the complex and evolving business challenges CFOs and finance teams face on multiple fronts. These challenges can be broadly categorized into two types: people and process. People challenges include the heightened expectations of management, investors, regulators, and other stakeholders, as well as a shortage of qualified finance resources and talent. Process challenges include increasingly complex financial reporting and accounting standards; transaction and transformation issues associated with mergers, acquisitions and divestitures; decisions around technology; and actuarial insurance needs.

Our Advisory practice believes a long term relationship with your finance team can help you overcome the people and process challenges you encounter. With issue-based services in complex accounting and transaction advisory, finance modernization, and actuarial insurance, our Advisory practice can help you and your finance team. We can leverage Deloitte’s full range of advisory services to extend your internal capabilities and address specific issues as they arise. Whether you are public or private, big or small, across all industries and accounting frameworks, we can help your finance team overcome people and process challenges and move successfully into the future.

Audit Advisory Finance

Today’s finance teams are working in an environment in which the landscape is constantly shifting and stakeholder scrutiny and demands seem to be ever increasing. Audit Advisory Finance provides practical insights and advice to enhance capacity, capabilities, and performance.

We have found that the following issues are common nationwide, across all finance organizations:

- Difficulty providing meaningful business insights
- Lack of alignment on a vision for finance and a strategy to get there
- Undefined, underdeveloped and ineffective finance operating models
- Ineffective use of technology and automation

Audit Advisory Finance was created to meet the growing demand in the marketplace for support and assistance in addressing these issues, which have been consistently echoed through our direct interactions with CFOs.

Who we are

We are a team of more than 80 professionals located across the country with expertise across public sector, financial services, real estate, consumer business, and manufacturing sectors.

Audit Advisory Finance advises our clients on finance function modernization, through the assessment and enhancement of finance strategy, talent, processes, and technology. We provide practical insights and advice to enhance capacity, capabilities, and performance. In short, we make finance better at executing their mandate for stakeholders.
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